

Customers, Accounting and Strategy: the case of a UK SME

Graham S. Pitcher

Nottingham Trent University

Burton Street

Nottingham, NG1 4BU

graham.pitcher@ntu.ac.uk

Customers, Accounting and Strategy: the case of a UK SME

This paper illustrates that the linking of Customer Relationship Management, Customer Profitability Analysis and Portfolio Management can make a positive impact on the development of strategy in a SME. The integration of marketing and financial systems, inculcating a customer focused culture and encouraging and facilitating cross-functional interaction enabled the collection, dissemination and review of customer related information to become part of the organisational routines. The case study research took place over the course of one year and involved 20 interviews, access to documentary evidence and the observation of quarterly meetings. The main document and discussion at the quarterly meetings provided a review of the customers from a profitability and relationship viewpoint with the resultant decisions being reflected in a three year rolling forecast that translated the emergent strategy into financial terms. Using this approach the staff achieved a profits growth of 45% per annum.

Track: 15 – Marketing and Retail

Word count: 6,881

Customers, Accounting and Strategy: the case of a UK SME

1. Introduction

The importance of understanding the customer has been prominent in the published literature since the Peters and Waterman book “In Search of Excellence” (1982) highlighted the theme of ‘close to the customer’. In the 1990’s relationship marketing focused attention on the importance of developing customer focused strategies with the intention of targeting, acquiring and retaining customers for long term mutual benefit (Christopher et al., 1991; Cravens, 1995; Storbacka, 1997; Gronroos, 1994; Sheth & Parvatiyar, 1995). This period also saw the rise of customer relationship management (CRM) systems that utilised information technology to aid the process of capturing data to understand the customer needs and behaviours in more detail (Payne & Frow, 2005; Ryals & Payne, 2001) and ultimately to inform strategy (Richards & Jones, 2008). A body of literature emerged that espoused the benefits of such systems to the organisation (Swift, 2001; Parvatiyar & Sheth, 2001; Buttle, 2001; Crosby, 2002; Rigby, et al., 2002; Reinartz et al., 2004). These benefits, however, were not always realised in practice. Part of the problem of CRM not yielding the expectations of managers was a focus on technology, ignoring the investment in people (Donaldson & O’Toole, 2002) and the cross-functional interactions necessary (Crosby, 2002). The concept of customer profitability analysis (CPA) was also closely linked to CRM as a means of improving the profitability of customers and developing strategies that focused attention and resources to build long term relationships with the most profitable customers (Mulhern, 1999; van Raaij, 2005; Ang & Taylor, 2005; McManus & Guilding, 2008). This development of strategies that “optimise customer relationship management efforts in order to maximise profitability” (Ritter & Andersen, 2014, p.1005) lends itself to the notion of managing a portfolio of customers in order to maximise firm profitability (Fiocca, 1982; Krapfel et al., 1991; Zeithaml et al., 2001; Corsaro et al., 2013). This paper discusses the case of a small and medium-sized enterprise (SME) that successfully utilised CRM and CPA to aid the development of a growth strategy by harnessing the concept of the customer as part of its organisational culture (Shum et al., 2008; Herhausen & Schogel, 2013) to galvanise all staff into participating in the process.

This paper will contribute to the emerging body of literature on CRM and SMEs – an area that is currently under researched (Newby et al., 2014). e-CRM is often not considered by SMEs (Harrigan et al., 2012) due to their limited resources and lack of technological expertise (Maguire et al, 2007, Shin, 2006), but the closeness to the customers, strong relationships and responsiveness can provide them with a key competitive advantage (Cooper et al., 2005; Peltier et al., 2009). Where CRM systems are utilised it is often for the gathering and cataloguing of product oriented information rather than strategic purposes (Harrigan, et al., 2009). SMEs historically more usually gather information that can be accessed with minimal effort and resources (Fuelhart and Glasmeier, 2003). There is however, evidence that owner/managers are recognising the benefits of using CRM (Kuan and Chau, 2001) and that more formal e-CRM systems are becoming increasingly popular among SMEs (Alshawhi et al., 2011). Nevertheless, many SMEs are failing to realise the benefits of CRM (Harrigan et al., 2009; Reijonen and Laukkanen, 2010) partly due to the reasons stated earlier and the lack of continued commitment from staff and management. The case organisation, however, demonstrates how the benefits of CRM can be utilised strategically to manage effectively customer relationship within a portfolio of customers to achieve growth in terms of sales revenue and the underlying profitability of the customer base.

The rest of the paper is structured as follows. Section 2 reviews the relevant literature; section 3 sets out the research method; section four provides the context and detail about the case study organisation and systems operated; and sections 5 and 6 contain the findings, discussion and conclusion.

2. Review of relevant literature

2.1 *Customer Relationship Management*

The case organisation developed and utilised a CRM system to aid the understanding of its customers and market segments. This understanding helped to shape the growth strategy and informed the marketing and resourcing strategies. CRM systems were initially seen as a technology-based solution to handling the customer interface, as in sales force automation (Payne & Frow, 2005). The use of technology as an enabler to capture customer related information was, however, intended to aid the understanding of the customer relationship and was linked more closely to relationship marketing (Ryals & Payne, 2001; Srinivasan & Moorman, 2005). For others, CRM is about business strategy first with the technology supporting the collection, monitoring, analysis and understanding of customer related activities (Crosby & Johnson, 2000; Kotorv, 2003; Ngai, 2005; Payne & Frow, 2005; Richards & Jones, 2008).

There is also a strong theme of the need for CRM to be seen as requiring an enterprise-wide engagement supported by senior management (Chen & Popovich, 2003; Mitussis et al., 2006; Estrella-Ramon et al., 2013) and not just for the benefit of the firm or the customer, but an enterprise-wide system intended to produce mutual benefits (Shani & Chalasani, 1992; Parvatiyar & Sheth, 2001; LaPlaca, 2004; Helgesen, 2007). The notion of a system and the use of technology can lead to a focus on the technological aspects and Chikweche and Fletcher (2013) emphasise the need to invest in the human capital element to enhance the CRM. Indeed Donaldson and O'Toole (2002) highlight the importance of investment in people as being a core component of the CRM. This aspect of knowledge is echoed by Vaivio (1999) who warned of the dangers of relying too much on the customer metrics and ignoring the input of the sales personnel who often have an intimate knowledge of the customer and markets in B2B scenarios. The use of a calculated value related to the customer can provide a perception of objectivity that does not exist (Cuganesan, 2008) and there is the possibility that the unobservable elements of customer perceptions, service quality, customer attitudes and behavioural intentions are missed (Gupta & Zeithaml, 2006). It is suggested that the concept of CRM should be part of the organisation's culture and drive not just the development of long term relationships across the whole lifecycle (Kincaid, 2003; Reimann et al., 2010) but also the implementation of the capabilities necessary to ensure its successful operation (Crosby & Johnson, 2000).

CRM can be seen as a source of competitive advantage (Bohling et al., 2006; Reimann et al., 2010) by virtue of the improved relationship management and the ability to develop long term relationships with its more profitable customers (Reinartz et al., 2004; Boulding et al., 2005) thus ultimately enhancing overall firm performance (Herhausen & Schogel, 2013). By inculcated the CRM system into the organisation's culture, value can be extracted via organisational learning (Chenhall, 2005) that informs strategy development related to customers (Guracaronu & Ranchhod, 2002). We must not forget that the outputs are only as good as the quality and comprehensiveness of the data available to the system (Jung & Riegler, 1999) and that the true advantage may lie in the increased understanding the organisation obtains about its customers (King & Burgess, 2008; Stein et al., 2013) and the

ability to target the more profitable customers. In order to do this, however, a means of identifying the profitability of individual customers or customer groups is necessary.

2.2 *Customer Profitability Analysis*

The fact that some customers are more profitable than others is widely reported (Cooper & Kaplan, 1991; Foster, Gupta & Sjoblom, 1996; Reinartz & Kumar, 2000; van Raaij et al., 2003; van Raaij, 2005. Dalci, et al., 2010) and is largely due to the different demands and costs-to-serve associated with different customers or customer groups (Kaplan & Cooper, 1998; Kaplan & Narayanan, 2001). The literature applies a variety of terms to describe customer accounting to determine the relative profitability, or value, of customers. Guilding and McManus (2002, p.46) usefully set out five dimensions of customer accounting: “customer profitability analysis; customer segment profitability analysis, lifetime customer profitability analysis; valuation of customers or customer groups as assets; and customer accounting (i.e. the holistic notion)”. Lind and Stromsten (2006) also suggest that the form of the interaction and interface that an organisation has with its customers may dictate the ‘type’ of customer profitability analysis undertaken.

The basic definition of CPA is largely agreed as being the revenue generated by the customer minus the product costs and costs-to-serve over a given time period (Bellis-Jones, 1989; Ward, 1992; Smith & Dikolli, 1995; Pfeifer et al., 2005). The costs-to-serve, however, can create a problem in that it assumes that the organisation has a system capable of collecting the information necessary to allocate the indirect costs. There needs to be some meaningful way of allocating costs to customers or it detracts from the analysis and could even create an incorrect impression, or at worse cause incorrect decisions to be made. The use of activity based costing has been promoted as a mechanism for allocating costs-to-serve directly to customers such as sales visits, costs of order handling, distribution costs, etc. (Cooper & Kaplan, 1991; Smith & Dikolli, 1995; Kaplan & Narayanan, 2001). But again this increases the information overhead and often involves detailed spreadsheet calculations (Boyce, 2000) to undertake the cost analysis and allocation to customers.

There is also confusion within the literature as to which costs should be allocated. Gleaves et al., (2008, p.838) suggest that the definition of “annual operating profit is the sum of the customer profitability from all customers the firm has served within a single accounting year”. They suggest further that this is after having traced all costs back to customers. Not all costs, however, can be traced back to customers in a meaningful manner (van Triest, 2005) and to attempt to do so would distort the analysis and could in fact give an incorrect picture (Lambert, 2008). Hence most descriptions would more accurately describe CPA as being revenue, minus product costs, minus costs-to-serve or costs traceable back to individual customers (Cooper & Kaplan, 1991; Foster et al., 1996). As Lambert (2008, p.48) suggests the objective is to “deduct from revenue all those costs that would disappear if the revenue disappeared”. Dwyer (1989) stresses the fact that allocations are often based on estimation and warns of the dangers of becoming blinded by a spurious level of accuracy. The key is finding good cost drivers to attribute the indirect costs to individual customers or segments (Murphy, 2005). Authors such as Langfield-Smith et al. (2003), however, suggest that it is not always practical to undertake individual CPA. The CPA is invariably undertaken retrospectively (Jacobs, et al., 2001; Reinartz & Kumar, 2003). In dynamic markets this means that it may not be a good predictor of the future. Cardinaels et al., (2004), however, suggest that CPA reports need to be updated regularly to increase their relevance.

As history is not always a reliable predictor of the future activity in today's business environment, the use of lifetime profitability analysis is a means of taking a prospective view of customers (Storbacka, 1997; Gupta et al., 2004). The most commonly discussed technique in the literature is customer lifetime value (CLV). The general principle is widely understood to be the difference between the projected future revenues and costs related to the customer that are discounted to provide a net present value. Gupta and Lehmann (2005, p.15) suggest, "the present value of all current and future profits generated from a customer over the life of his or her business with the firm". There is some lack of clarity in the definitions as to whether it refers to future profits or cash flows. Pfiefer et al., (2005) note that the accounting definition of profit is calculated on an accruals basis whereas the true net present value calculation should be based on the cash flows. In the long run, however, the difference would not be significant. Also the fact that the future cash flows are based on estimates the degree of accuracy implied could be questionable (Dwyer, 1998). Suitable time periods are discussed with a view being that a period of five years is usual, as beyond this the degree of estimation involved detracts from the analysis (Berger & Nasr, 1998). One method observed by Ryals (2005) is the use of multiple iterations and regular updates of data to arrive at forecasts that the managers believe to be realistic. Berger and Nasr (1998) provide a review of the methods of calculating the CLV and Zhang et al. (2010) suggest that the CLV framework is useful to measure how changes in customer behaviour, e.g. purchasing habits, could influence future profits, thus bridging the gap between marketing and finance.

The benefit of taking a future view of customer profitability could be linked to the value placed on retention. The costs of acquiring a new customer is greater than the cost involved in retaining existing customers (Zeithaml & Bitner, 1996) and the link between customer satisfaction, loyalty and profitability has been proven to be a positive one in the majority of cases (Fornell, 1992; Anderson & Sullivan, 1993; Ittner & Larcker, 1998; Zeithaml, 2000; Epstein, 2000). Within B2B markets the idea of 'commitment' has been suggested to be a better description than 'loyalty', as it demonstrates the intention to develop a mutually beneficial relationship (Anderson & Weitz, 1992; Gustafsson et al., 2005). It is noted that there are certain situations where customers may not be profitable, one of which is in the case of new customers with low volumes where it is hoped that the relationship will grow (Kaplan & Narayanan, 2001). These customers therefore need to be nurtured and developed. Although the idea behind identifying the most profitable customers and those from which no profit is made, where costs-to-serve exceed the contribution generated (revenue less direct product costs), indicates that marketing effort and resources should be directed towards the most profitable customers, the concept of managing a portfolio of customers, some of whom may be less profitable than others, is prevalent in the literature (Fiocca, 1982; Zeithaml et al., 2001; Ryals, 2005). Certain customers may have a strategic value to the firm in that the benefits are more than just monetary (van Raaij et al., 2003; Ryals, 2008), such as learning, feedback received (Epstein et al., 2008), or referral and reputation enhancing connections (Hoekstra & Huizingh, 1999; Kumar et al., 2010).

2.3 *Customer portfolio management*

The literature covering customer portfolio management includes numerous suggestions as to the descriptions that can be used to segment or classify the customer base (Fiocca, 1982; Storbacka, 1997; Turnbull & Zolkeiwski, 1997; Johnson & Selnes, 2004; Ritter & Anderson, 2014; Sanchez & Sanchez, 2005). Based on this analysis marketing strategies can be established to target particular groups of customers. Fiocca (1982) suggests that a first step in industrial markets would be to undertake a general analysis or overview of all accounts and establish the relative importance and resources required to manage each

account with a view to identifying those that are worthy of special attention and more in-depth analysis. The second step would be to map individual customers on a matrix with the axes denoted by the customer attractiveness (vertical axis) and the relative stage of the buyer/seller relationship (horizontal axis) (Krapfel et al., 1991). Customer attractiveness is largely about the economic value of the customer (La Rocca et al., 2012). A difficulty with assessing the relationship is that these develop over time (Hunt, 2002). A further problem arises in the comparison of matrices produced at different times as the position of the customer on the matrix can often be the result of a mix of actual and subjective data making meaningful comparison somewhat problematic, although applying a weighting to variables can help to alleviate this issue (Sanchez & Sanchez, 2005). An additional factor to consider is that there is a requirement to constantly adapt to changing customer needs (Hunt & Morgan, 1995) and that the firm needs to capture information to identify these changes and respond with improved products and services that are competitive in the market (Narver & Slater, 1990).

The ultimate aim therefore, would be to manage the portfolio in such a way that the profitability and benefit to the organisation of all customers could be improved over time (Kumar & Ramani, 2003; Ritter & Anderson, 2014). If this is linked to customer relationship management it is possible to see that some customer relationships may be unprofitable initially but can be developed within the portfolio to be a more significant customer in the future (Ford et al., 1998; Smith & Dikolli, 1995; Guerreiro et al., 2008). It is, however, not just about retaining loyal customers but also about attracting and acquiring customers that have the greatest potential (Blattberg et al., 2001).

3. Research method

The research study takes an interpretative stance as this helps to understand how the marketing and accounting techniques are used in context and the relationship between the staff interactions, the calculative data and subjective judgements made to develop and enact the strategy (Ryan et al., 2007; Bryman & Bell, 2011). A case study approach was adopted as contact with the company presented an opportunity to study a specific case of a company utilising CRM, customer profitability, and the concept of customer portfolio management linked to a rolling forecast, being an expression of the growth strategy in financial terms. The case study approach lends itself well to exploring a phenomenon in real-time (Eisenhardt, 1989; Yin, 1994). The company allowed access to staff enabling 20 interviews to be conducted covering all levels of staff (see Appendix D), and for repeated visits to enable attendance and observation at four Quarterly Review Meetings (QRM). The QRM is seen as the primary vehicle within the organisation at which key decisions are made. Breaks in the meeting and the short time before and after the meeting afforded the opportunity to converse with staff members in attendance which enabled the researcher to keep up to date with events and to talk informally to staff members. The researcher was provided with a full set of meeting papers, but did not contribute to the meeting.

Attendance at the QRM's over the period of one year allowed the progress from meeting to meeting to be observed and how decisions made at one meeting were reflected in the performance reported at the next. This enabled the researcher to get a sense of how the mechanics of the accounting and CRM systems fed into the decision making process. It was also possible to observe a Marketing & Sales Team meeting and an Engineering Team meeting that took place between the QRM's. During the interviews access was provided to documentation to support the discussions. Staff were asked about the role and activities they performed and how they saw that as fitting into the total company operation. This enable the

researcher to gain an understanding of the intentionality and context within which the interviewees were explaining their input and use of the systems (Ahrens & Chapman, 2007). Views about the purpose and effectiveness of the Quarterly Review Meeting (QRM) were also discussed.

The qualitative data analysis techniques of descriptive and content analysis (Miles and Huberman, 1994) were used to help gain an understanding and insight into the operation of the systems and how the staff interacted with the calculative data, documentation produced and provided, and the subjective input relating to customer profiles at the QRM. Thematic analysis (Attridge-Stirling, 2001) was also utilised to help to identify issues that emanated from the literature and to relate these to the operation of systems and actions of staff as described by them in the interviews and observed during the meetings. This aided the understanding and insight into how the resultant decisions fed into the emergent strategy.

4. The organisation

The organisation was established in 1998 and started by two individuals. The Managing Director had a marketing background and the Operations Director an engineering background and experience of working with alarm and security systems. Alarm Limited provided services related to intruder alarms, fire alarms, CCTV, access control (allowing free flow of authorised personnel) and integrated systems that could be linked to building and energy management systems. Services include design, supply, installation, monitoring through alarm receiving centres and key holder facilities and maintenance. Markets served included commercial and industrial businesses, public sector (state owned) premises and domestic homes. The company was based in London and services provided to the area known as Greater London.

The organisation was defined as a SME under the European Commission definition as an organisation having fewer than 250 employees and has either (a) annual turnover not exceeding €50 million or (b) an annual balance-sheet total not exceeding €43 million. During the 17 year period to 2014 the company, prior to being acquired by a national provider, had grown its revenue at an average rate of 36% per annum (from £0.5m in 1998 to £37m (€44m) in 2014) and its profit before interest and tax by an average of 45% per annum (from £0.025m in 1998 to £4.5m in 2014). The founders put this success down to inculcating a company ethos of developing customer relationships and of establishing a system of capturing customer information and using this to inform the development of the growth strategy. The company also operated an employee share scheme which enabled employees to benefit from company success and, from comments made in the interviews with staff members, this undoubtedly contributed to staff motivation for the company to succeed. An organisation chart is included as Appendix A.

Two key factors are striking about the management of the company. Firstly the emphasis placed on cash rather than profit, almost to the point of ignoring the normal profit and loss account reporting.

Managing Director “We started off with very little capital so in the early days cash flow was everything in order to grow. We’ve just kept the same ethos as we got bigger.”

Financial Director “I started as the accountant a couple of years in, and was surprised, pleasantly so, that Mike [MD] and James [Operations Director], understood the importance of focusing on cash. Although in hindsight I think that was probably

because they didn't fully understand accounting methods, but we've kept the same thing going. All our internal reporting, forecasts and plans essentially focus predominantly on cash, not profit – which gives the accounting team an interesting time - but everybody, wherever you are in the organisation, understands the concept of cash in – cash out.”

What was initially confusing for the researcher was that although forecasts are prepared on the basis of the timing of cash received, the terms ‘profit’ and ‘customer profitability’ were still used when discussing the figures. The accountant confirmed that the actual figures contained in the reports, due to expediency of reporting, contained a mix of actual cash receipts, staff costs paid in the month and expenditure incurred (not necessarily paid). Accounting adjustments such as depreciation, provisions etc. were not included within the CPA reports, in line with the literature (Pfiefer et al., 2005).

The second key element was a culture of customer service and relationship building within the company.

Marketing Director, “We look carefully at which market sectors have potential for us, and then within that the potential customers where we can add the most value and build up a long term relationship. [...] Referrals are key to our business so happy customers are essential.”

The information systems utilised by the company had been implemented with a view to capturing as much information related to customer activity as possible. It was a purchased modular software package based on a relational database with some bespoke work. The system captured customer details and allowed any member of staff to attach comments to the relevant section of the customer records, e.g. comments relevant to enquiries, design, installation, testing, training, maintenance, payment record, customer service calls. Customer responses to satisfaction surveys conducted at the end of the installation, and customer feedback, either solicited or unsolicited, were attached to the record. The accounting system was based on the principles of contract costing, i.e. revenue and costs were allocated to contracts which were attached to customers. The accounting and CRM systems were integrated, therefore a full record in terms of commercial interactions, general contact and profitability could be addressed.

All staff completed time sheets, including administrative staff. Common activity codes within contract numbers were utilised which enabled time to be analysed between different phases or aspects of a contract. The use of timesheets enabled the staff costs to be allocated using a time driven activity based costing system. Data loggers were employed to record items such as printing, telephone calls, and computer time for which costs could be allocated to contracts and customers, using activity based costing principles.

“For many smaller customers the majority of costs can be captured directly via the contract costing system, but larger customers can incur significant incidental costs such as courtesy and follow up visits, query chasing in both directions, ordering and handling of specific materials, parts and other incidental things that can all add up.” (Sales Support Manager).

Staff at all levels appreciated the significance of attaching direct costs and costs-to-serve to customers within the phases of a contract (table 1) but equally appreciated that it was not always possible to allocate every minute or every cost to a contract/customer. There would therefore inevitably be elements of unallocated costs at the end of each month. A

report showing the allocated cost by activity and unallocated costs was also produced which enabled the management to monitor overall cost levels as well as the costs of activities associated with customers.

Table 1 – Typical phases of contract - provided by Operations Director

1. Contact with customer
2. Consultation – site visit – design requirements ascertained
3. Proposal and quotation preparation
4. Follow up if necessary
5. Contract agreed
6. Detailed design work
7. Ordering / procurement
8. Pre-installation meeting
9. Installation
10. Testing
11. Customer acceptance (including satisfaction survey)
12. Maintenance schedule agreed
13. On-going maintenance
14. Customer contact maintained

A spreadsheet reporting format linked to the accounting system was maintained that enabled analysis of contracts, customers and market sectors. A report was produced showing the cash flows, actual and projected, until completion for each contract (Appendix B). The duration shown was for a twelve month rolling forecast, with projections for year 2 and 3 shown in total. Supporting reports were produced for potential and projected work. Where a customer had more than one contract a summary was produced for the customer.

During the regular monthly reporting cycle progress on contracts would be reviewed by the staff immediately concerned with the successful completion of the contracts. There was then a key meeting held quarterly, the QRM, which helped to determine the strategy of the company. This would involve the Board of Directors, managers, and representatives of all the departmental teams. On average the meetings could include up to 23 people (Appendix C) (which represented approx. 41% of the company's staff) and had been known to last all day. When asked about the size of the meeting the MD responded:

“It was something we did when we started – to try and involve all the staff – ideally I'd like to involved everyone, but that would be a very big meeting [laughs]. But seriously, everyone in the company will be involved with a contract or come into contact with a customer at some point, so they will form a view of the customer. I'm interesting in what that view is, whether good or bad as that impacts on the relationship with that customer. It also serves the purpose of keeping people involved and up-to-date with what the business is doing and where it's going.”

At these meetings contracts and customers were reviewed in relation to a matrix. The two values were recorded for each contract/customer and plotted on a single matrix to create a customer position matrix.

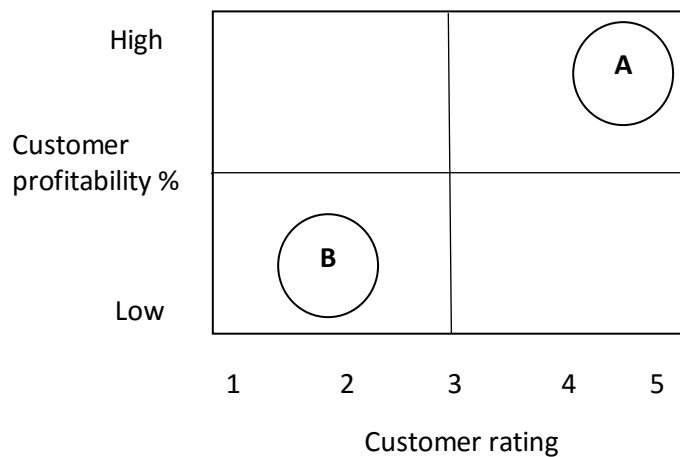


Figure 1 – Customer position matrix

The customer profitability index was calculated from the contract costing spreadsheets. This was more accurately described as the cash flows projected for the life of the live projects with that customer until their completion, as opposed to an accounting profit, and was shown as a percentage of total revenue on the contracts involved.

The customer rating was assessed based on the ranking of the following factors:

- Loyalty - reference to past purchases and number of other suppliers the customer does business with;
- Core market - is it in a core market serviced by Alarm;
- Finance - reference to payment record and financial strength;
- Value Added factor - potential for Alarm to add value to the customer?
- Growth potential - of the customer;
- Degree of support required - how demanding they are as a customer?

This rating was discussed at the meeting along with the profitability index to determine the position of the customer on the grid. Figure 2 shows an example of customer rating calculation for a new customer with an overall rating of 3.67. The customer has good prospects for growth; is in a good market sector for the company; Alarm can add value to the customer relationship; and the customer paid on time and is financial sound. Potential area for discussion - how to ensure loyalty increases and the level of support required reduces over time?

	1	2	3	4	5
Loyalty		2			
Core market				4	
Finance					5
Value added				4	
Growth					5
Support		2			
Total		4		8	10
					$22/6 = 3.67$

Figure 2 – example of customer assessment and rating

The discussion would focus on how to improve the customer's position or maintain it. The contracts were reviewed by market sector. Some sectors, such as 'single domestic homes' received very little discussion contract by contract, but were looked at on an exception basis with a discussion on the merits and prospects for the sector at that time. In contrast at one meeting 45 minutes was devoted to a property developer for which the company had three live contracts to fit intruder and fire alarms on large housing developments.

The majority of staff made contributions of some sort to these meetings. For example, sales support staff have commented on frequently asked questions by clients which has changed the contact information provided to customers, and in one instance instigated additional training for the customer's staff. Staff were also encouraged to discuss issues arising from the meeting within their respective team meetings which happened monthly and to bring back ideas to the QRM via their representatives. All staff interviewed felt that they had the opportunity to input to the meeting and that their contribution would be valued. It was evident that via monthly team meetings and the QRM's all staff interviewed had a good understanding of how the business worked and that cross-functional cooperation was actively encouraged.

At the four meetings attended at no time was a discussion held as to whether a customer should be 'got rid of'. There was a sense that the purpose was to improve the profitability and relationship with customers but also to identify the type of customer that the company wanted to nurture and thus target, which would improve the overall mix of customers. There was an overall acceptance of managing a mix of customers in different sectors and that not all customers would be as profitable.

The outcome of these meetings aided the development of the marketing strategy and improvements in customer relationship management, but also provided information on capacity planning and financial management. The fact that the information fed into a rolling twelve month forecast and projected forecast for 3 years also provided the constant update of the likely financial outturn. However, much of the discussion related to operational matters, i.e. how to solve problems and how to improve things, that would feed into the rolling forecast as financial implications or benefits.

The rolling forecast also had the intended benefit of ensuring that the workflow funnel was in the forefront of people's minds, i.e. they needed a constant flow of new contracts. These forecasts and prospective contract projections were updated by the sales and marketing team working with the accounting team prior to the QRM. Projected revenues and costs to completion on live projects were updated by the Operations Director and his teams, again in conjunction with the accounting team. This meant updating the expected outturn of live contracts and prospective contracts became part of the normal job but the discussions at the QRM stopped it becoming a mechanical exercise, i.e. the figures could be challenged at the meeting so it needed to be their best estimate based on current information.

Each meeting began with a review of the summary by sector, then moved into looking at customers and contracts within each sector. The main thrust of the discussions and decisions made at the QRM ultimately led to a flurry of smaller functional team meetings to implement the actions. Where these resulted in major activity shifts that had cost implications, such as increased marketing activity, these would be fed into the rolling forecast. This meant that the rolling forecast was reviewed and updated twice each quarter – once before the meeting and once after the meeting. It therefore became a living document,

and the main document, within the organisation. In a sense it became the main strategy document and the QRM part of the strategic management process. However, as commented by the Managing Director:

“I’m not so sure we have a strategic management process as such. Our overall strategy is one of continual growth. Plain and simple. How we achieve that comes out of our regular meetings where we consider the mix of customers we have and the mix we would like to have in the future. So rather than the Board sit down and make decisions in isolation the whole company gets involved in deciding what we do, and how we can improve the business. If that’s what you mean by strategy then that’s how we do it. I guess as a Board we try and make sure that can happen”.

The Finance Director kindly provided a rough sketch of how the theoretical components of the system are integrated.

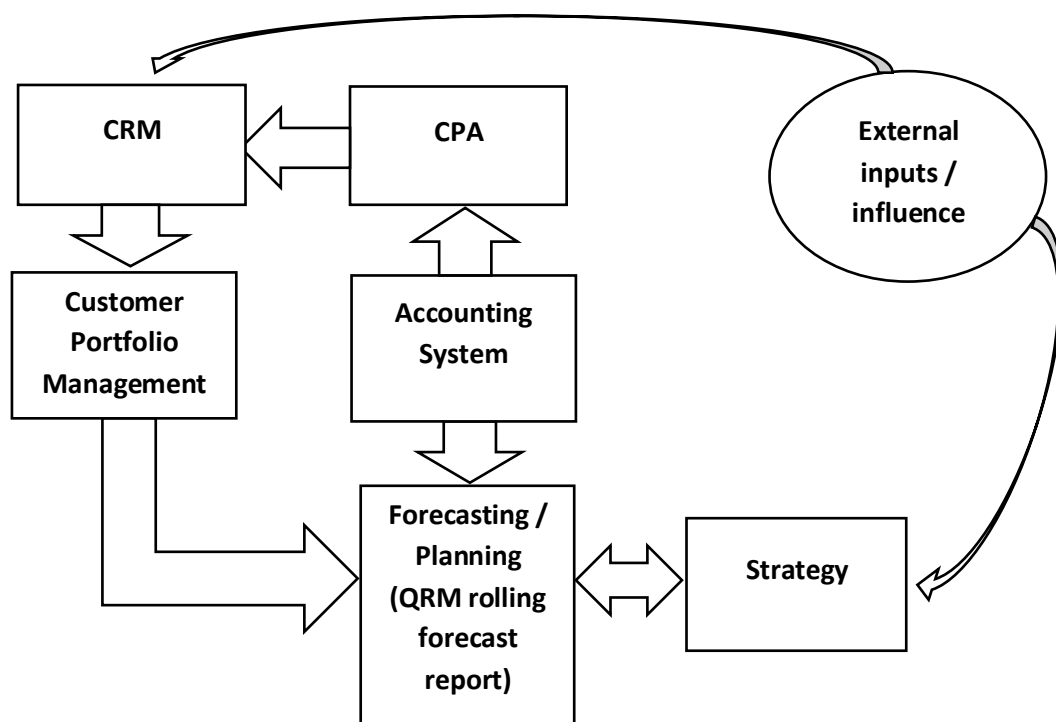


Figure 3 – The integration of systems (provided by Finance Director)

5. Findings and discussion

The emphasis placed on the quarterly report and the QRM within the company exhibited a significant influence on the company’s successful growth over its lifetime. The size of the meeting in relation to the size of the company, representing over 40% of the workforce, facilitated communication of the strategic intent throughout the entire organisation as well as operational decisions. This helped to inculcate a company-wide culture of customer service (Herhausen & Schogel, 2013; Kincaid, 2003), relationship building (Ryals & Payne, 2001; Reimann et al., 2010) and continuous improvement, and cross-functional cooperation, almost along the lines of the concept of TQM (Feigenbaum, 1983). The information that was fed into the preparation of the QRM, both quantitative and qualitative ensured that a wide range of views was taking into account when discussing customers and the customer mix (Vaivio, 1999; Chen & Popovich, 2003; Gupta & Zeithaml, 2006).

The integration of systems and cross-functional cooperation in preparing and updating the report, prior to and following the meeting, facilitated the communication and sense of working towards common goals (Crosby, 2002). A key benefit that derived from the QRM document and the meeting itself was that it created a forum for discussion that led to a good understanding of their customers (King & Burgess, 2008). The overall approach to management could be viewed as focusing on the detail of continually working to improve customer relations within the mix of market segments and customers which resulted in an overall increase in profitability (Ritter & Andersen, 2014). The overall strategic intent of striving for continued profitable growth was well recognised within the company, but how that was enabled emerged from the actions taken at the operational level – very much an emergent strategy.

The impact of the environmental influence on the strategy was less evident in observation than figure 3 suggests. Market conditions and growth in certain sectors was discussed in conjunction with targeting certain market sectors for growth opportunities, but this was also heavily aligned with the success of obtaining new contracts and performance of contracts in certain sectors, i.e. emanating from an internal analysis rather than an explicit focus on external trends. The information feeding in from the CRM and CPA systems informed the vast majority of decision making much more than external factors. The CRM and CPA systems therefore aided the development of the marketing strategy (van Raaij, 2005) and the customer portfolio (Guracaronu & Ranchhod, 2002; Kumar & Ramani, 2003). This was, however, more emergent over time than being the subject of explicit discussion. It was more an awareness of there being a portfolio of customers rather than explicitly setting out to manage the portfolio, but once acquired the customer relationship was positively managed in an upwards trajectory via the customer position grid.

The integration of the systems and evidence of cross-functional cooperation facilitated the tracking of costs and production of the QRM report became part of the normal routine. The actual calculation of the CPA was automated as much as possible so that it reduced the resources required to produce the report. The relative small size and nature of the business facilitated this and it resulted in the CPA being updated regularly (Ryals, 2005; Cardinaels et al., 2004). This had a retrospective aspect in that a review of live customer contracts was reviewed regularly, but projected outturn and future prospects were also considered, both for existing customers and potential new customers, enabling a prospective view to be taken as well (Gupta et al., 2004). This fed into a rolling three year forecast providing a financial view of the emerging strategy. This did produce a somewhat large spreadsheet document (Boyce, 2000) but due to the regular update, and ‘living document’ status of the report, staff attending the meeting were very comfortable with the document, its production and presentation. The sense of portfolio management became evident in discussions of market sectors and customers within those sectors. For example in the ‘domestic residential sector’ customer retention was related to maintenance contracts, whereas ‘housing developer sector’ was about retention and repeat business, and ‘commercial’ was about retention and system upgrades. The discussions therefore took a slightly different focus when moving between the market sectors.

The structure of the document being presented hierarchically as a summary of market segments, customers and contracts, and the drill down approach adopted in its discussion, facilitated both a company-wide view and a customer by customer discussion. This also enabled, via the customer position grid, the non-financial aspects of customer relationships to be considered, including customers that may have strategic value such as referral and influence (van Raaij et al., 2003; Hoekstra & Huizingh, 1999), facilitating the sense of

portfolio management, and the capturing of views from the customer facing staff (Vaivio, 1999).

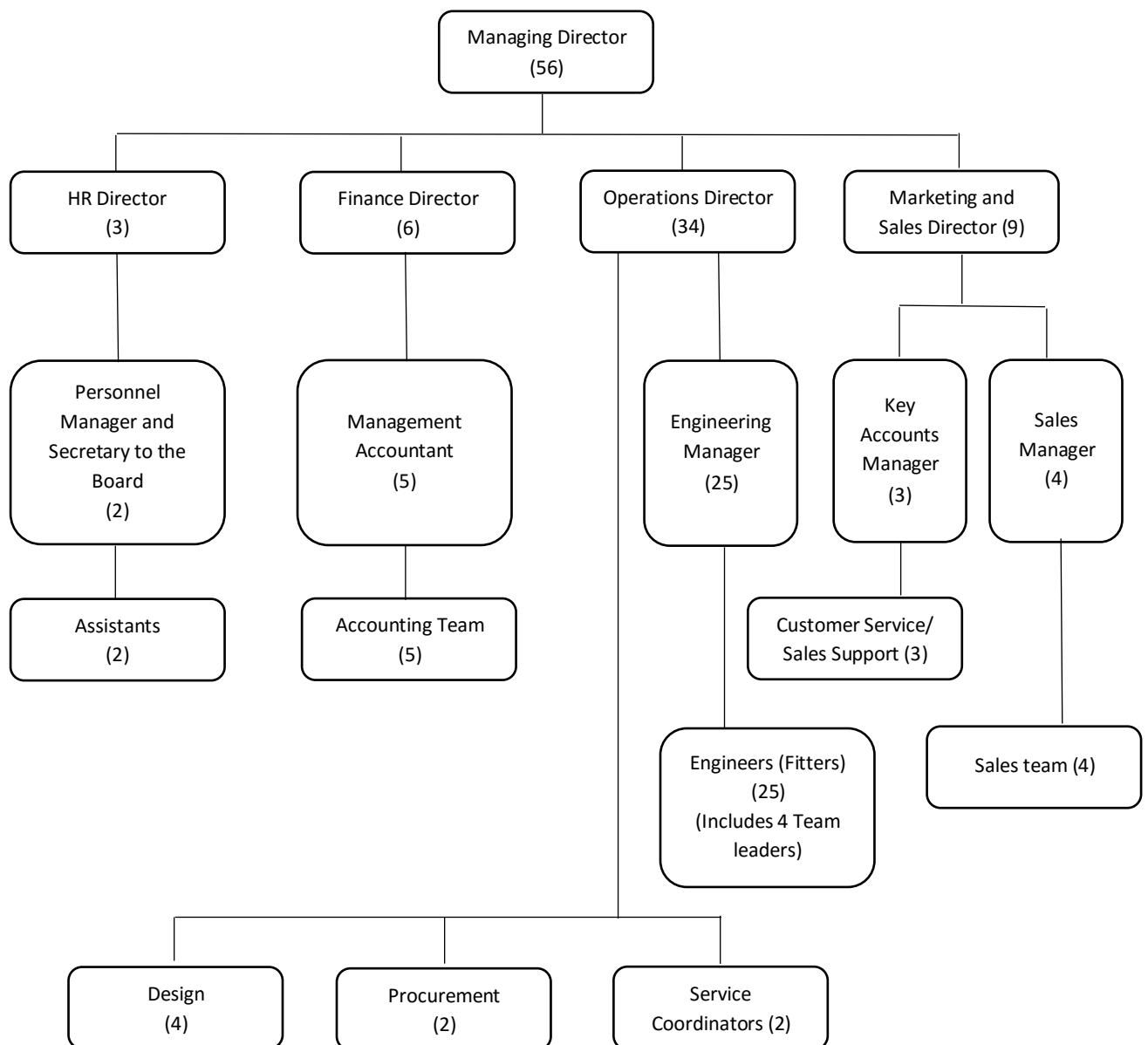
In relation to the CPA calculation it was concerned with current profitability (Jacobs, et al., 2001) and also future profitability (Storbacka, 1997). The focus was on cash flows as opposed to accounting profit (Pfiefer et al., 2005), with the principles of ABC being utilised to allocate costs-to-serve (Cooper & Kaplan, 1991). Acquisition costs were monitored and taken into account both within the CPA figure and as an aid to future acquisition decisions (Chang et al., 2012), however, the cash flows were not discounted, so in reality the calculation was closer to lifetime customer profitability analysis (Guilding & McManus, 2002) than the customer lifetime value popular in the marketing literature (Chang et al., 2012). The calculation was designed to be one that could be updated on a regular basis with limited resources, but that would provide a meaningful basis of discussion and although it sounds quite complex, is actually simple to operate and most importantly, understood by the staff. Based on a review of a three year cycle of reports and the observation of meetings over the course of a year it was possible to see the emergence of strategy via shifts in the market segments targeted, or as the Financial Director termed it ‘the direction of travel of the company’.

6. Conclusion

The system described worked very effectively in the SME and the success manifested itself in the financial results over a significant time period. The key to its success was the development of a culture of openness and staff engagement in the operation and ultimate success of the company. The data collection methods were kept simple and became a matter of routine and that, with some degree of system integration, the calculation of customer profitability was relatively simple, i.e. there was a deliberate design choice made to keep it simple. Staff could see the data and information flow into the decisions made at the Quarterly Review Meetings and the likely financial outcome of the decisions via the rolling forecast. The inclusion of representatives from all departments in the QRM also encouraged cross-functional interactions and an understanding of each department’s role in the successful operation of the company. The sense of managing a portfolio of customers, and that by reviewing customers individually both from financial and non-financial viewpoints (albeit with a degree of subjectivity applied), with the ultimate aim of improving the profitability of the company as a whole, enabled the company to achieve constant improvements and growth in both revenue and profits. Whether this approach would work in a much larger organisation is difficult to say due to the main vehicle being the QRM at which almost half of the workforce were in regular attendance. The case does, however, serve to illustrate that the linking of CPA, CRM and portfolio management, facilitating cross-functional interactions and inculcating a customer focused culture in a SME, can have positive impacts on the success of the company.

Acknowledgements: The author would like to thank the reviewers for their valuable comments.

Appendix A - Organisation structure



Numbers in brackets represents number of staff

Appendix B – format of QRM report

Customer A – Current contracts	£,000's	Months												12 month total	Next 12 months F'cast Year 2	Next 12 months F'cast Year 3	Total
	B/Fwd – current contracts	1	2	3	4	5	6	7	8	9	10	11	12				
Contract 1																	
Revenue generation																	
Disbursements																	
Labour costs																	
Material costs																	
Procurement costs																	
Support costs - Staff Time																	
Support costs - Expenses																	
Cash surplus/deficit																	
Cash surplus/deficit contract 2																	
Contract 3 Etc																	
Total cash surplus / deficit from current contracts																	
Prospective contracts																	
Revenue generated																	
Costs																	
Cash surplus/deficit																	
Total Cash surplus / deficit for Customer A																	

Appendix B continued
Total contract activity by market segment

	£,000s	Months															
	B/Fwd – current contracts													12 month total	Next 12 months F'cast Year 2	Next 12 months F'cast Year 3	Total
Market Segment		1	2	3	4	5	6	7	8	9	10	11	12				
Commercial and industrial																	
Leisure and hospitality																	
Public sector																	
Housing development																	
Domestic residential																	
Total cash surplus / deficit from contracts																	
Unallocated costs																	
Staff costs (Schedule A)																	
Administration (Schedule B)																	
Establishment (Schedule C)																	
Communications (Schedule D)																	
Projected cash surplus / deficit																	

Appendix C - Attendance at QRM

Individual / department	June	September	December	March
Managing Director	✓	✓	✓	✓
HR Director	✓	✓	✓	✓
Finance Director	✓	✓	✓	✓
Operations Director	✓	✓	✓	✓
Marketing Director	✓	✓	✓	✓
Personnel Manager	X	✓	✓	✓
Management Accountant	✓	✓	✓	✓
Accounting Assistant	✓	✓	✓	✓
Engineering Manager	✓	✓	✓	✓
Engineering Team Leader(s)	✓ x 3	✓ x 4	✓ x 4	✓ x 4
Procurement	✓	✓	✓	✓
Design	✓	✓	✓	✓
Service Coordinators	✓	✓	✓	✓
Key Accounts Manager	✓	✓	✓	✓
Sales Manager	✓	✓	✓	✓
Sales Support	✓	✓	✓	✓
Sales force staff	✓ x 4	✓ x 4	✓ x 3	✓ x 4
Total staff present	21	23	22	23

Appendix D - Interviews held between June and October

Position in company	Approximate length (mins)	Recorded	Notes only
Managing Director	45 + 30	✓	
HR Director	40	✓	
Finance Director	65	✓	
Operations Director	50	✓	
Marketing Director	45 + 20	✓	
Personnel Manager	30	✓	
Management Accountant	40	✓	
Assistant Accountant	30		✓
Engineering Manager	40	✓	
Engineering Team leader	30		✓
Engineering fitter	20		✓
Procurement	20		✓
Design engineer	20		✓
Service coordinator	20		✓
Key Accounts Manager	20		✓
Sales Manager	40		✓
Sales support staff	30		✓
Sales representative	45	✓	

References

- Ahrens, T., & Chapman, C.S. (2007). Management accounting as practice. *Accounting, Organizations and Society*, 32, 1-27.
- Alshawhi, S., Missi, F., & Irani, Z. (2011). Organisational, technical and data quality factors in CRM adoption – SMEs perspective. *Industrial Marketing Management*, 40, 376-383.
- Ang, L., & Taylor, B. (2005). Managing customer profitability using portfolio matrices. *Database Marketing & Customer Strategy Management*, 12(4), 298-304.
- Anderson, E.W., & Sullivan, M.W. (1993). The antecedents and consequences of customer satisfaction for firms. *Marketing Science*, 12, 125-143.
- Anderson, E.W., & Weitz, B. (1992). The use of pledges to build and sustain commitment in distribution channels. *Journal of Marketing Research*, 29(1), 18-34.
- Attridge-Stirling, J. (2001). Thematic networks: an analytical tool for qualitative research. *Qualitative Research*, 1(3), 385-405.
- Bellis-Jones, R. (1989). Customer Profitability Analysis. *Management Accounting*, 67 (2), 26-28.
- Berger, P.D., & Nasr, N.I. (1998). Customer lifetime value: Marketing models and applications. *Journal of Interactive Marketing*, 12 (1), 17-30.
- Bholing, T., Bowman, D., LaValle, S., Mittal, V., Narayandas, D., Ramani, G., & Varadarajan, R. (2006). CRM implementation: Effectiveness issues and insights. *Journal of Service Research*, 9(2), 184-194.
- Blattberg, R.C., Getz, G., & Thomas, J.S. (2001). *Customer Equity*. Boston: Harvard Business School Press.
- Boulding, W., Staelin, R., Ehret, M., & Johnston, W.J. (2005). A customer relationship management roadmap: what is known, potential pitfalls, & where to go. *Journal of Marketing*, 69(4), 155-166.
- Boyce, G. (2000). Valuing customers and loyalty: the rhetoric of customer focus versus the reality of alienation and exclusion of (devalued) customers. *Critical Perspective on Accounting*, 11, 649-689.
- Bryman, A., & Bell, E. (2011). *Business Research Methods*. 3rd ed. Oxford: Oxford University Press.
- Buttle, F.A. (2001). The CRM value chain. *Marketing Business*, February, 52-55.
- Cardinaels, E., Roodhooft, F., & Warlop, L. (2004) Customer profitability analysis reports for resource allocation: The role of complex marketing environments. *ABACUS*, 40 (2), 238-258.
- Chang, W., Chang, C., & Li, Q. (2012). Customer lifetime value: A Review. *Social Behaviour and Personality*, 40 (7), 1057-1064.

- Chen, I.J., & Popovich, K. (2003). Understanding customer relationship management (CRM) People, process and technology. *Business Process Management Journal*, 9(5), 672-688.
- Chenhall, R.H. (2005). Integrative strategic performance measurement systems, strategic alignment of manufacturing, learning and strategic outcomes: an exploratory study. *Accounting, Organizations and Society*, 30, 395-422.
- Chikweche, T., & Fletcher, R. (2013). Customer relationship management at the base of the pyramid: myth or reality? *Journal of Consumer Marketing*, 30 (3), 295-309.
- Christopher, M., Payne, A., & Ballantyne, D. (1991). *Relationship Marketing*. Oxford: Butterworth Heinemann.
- Cooper, R., & Kaplan, R.S. (1991). Profit priorities from Activity-Based Costing. *Harvard Business Review*, 69, May-June, 130-135.
- Cooper, M., Upton, N., & Seaman, S. (2005). Customer relationship management: a comparative analysis of family and non-family business practices. *Journal of Small Business Management*, 43(3), 242-256.
- Corsaro, D., Fiocca, R., Henneberg, S.C., & Tunisini, A. (2013) A value perspective on relationship portfolios. *Marketing Theory*, 13(3), 275-302.
- Cravens, D.W. (1995). Introduction to special issue. *Journal of the Academy of Marketing Science*, 23, 235.
- Crosby, L.A. (2002). Exploding some myths about customer relationship management. *Managing Service Quality*, 12(5), 271-277.
- Crosby, L.A., & Johnson, S.L. (2000). Customer relationship management: Is technology the new Holy Grail for customer loyalty? *Marketing Management*, Fall, 4-5.
- Cuganesan, S. (2008). Calculating customer intimacy: accounting numbers in a sales and marketing department. *Accounting, Auditing & Accountability Journal*, 21 (1), 78-103.
- Dalci, I., Tanis, V., & Kosan, L. (2010). Customer profitability analysis with time-driven activity-based costing: a case study in a hotel. *International Journal of Contemporary Hospitality Management*, 22 (5), 609-637.
- Donaldson, M., & O'Toole, T. (2002). *Strategic Market Relationships: From Strategy to Implementation*. Chichester: Wiley.
- Dwyer, F.R. (1998). Customer lifetime valuation to support marketing decision making. *Journal of Direct Marketing*, 11(4), 6-13.
- Epstein, M.J. (2000). *Management Accounting Guideline: Customer profitability analysis*. The Society of Management Accountants of Canada, the American Institute of Certified Public Accountants and The Chartered Institute of Management Accountants.
- Epstein, M.J., Friedl, M., & Yuthas, K. (2008). Managing customer profitability. *Journal of Accountancy*, December, 54-59.

- Eisenhardt, K.M. (1989). Building theories from case study research. *Academy of Management Review*, 14, 532-50
- Estrella-Ramon, A.M., Sanchez-Perez, M., Swinnen, G., & VanHoof, K. (2013). A marketing view of the customer value: Customer lifetime value and customer equity. *South African Journal of Business Management*, 44 (4), 47-64.
- Feigenbaum, A.V. (1983). *Total Quality Control*, New York, NY: McGraw-Hill.
- Fiocca, R. (1982). Account portfolio analysis for strategy development. *Industrial Marketing Management*, 11, 53-62.
- Ford, D., Gadde L-E., Hakansson, H. Lundgren, A. Snehota, I., & Turnbull, P. (1998). *Managing business relationships*. Chichester: John Wiley.
- Fornell, C. (1992). A national customer satisfaction barometer: The Swedish experience. *Journal of Marketing*, 56(3), 6-21.
- Foster, G., Gupta, M., & Sjoblom, L. (1996). Customer profitability analysis: challenges and new directions. *Cost Management*, Spring, 5-17.
- Fuehlhart, K., & Glasmeier, A. (2003). Acquisition, assessment and use of business information by small and medium-sized businesses: a demand perspective. *Entrepreneurship & Regional Development*, 15(3), 229-252.
- Gleaves, R., Burton, J., Kitshoff, J., Bartes, K., & Whittington, M. (2008). Accounting is from Mars, marketing is from Venus: establishing common ground for the concept of customer profitability. *Journal of Marketing Management*, 24(7-8), 825-845.
- Gronroos, C. (1994). From marketing mix to relationship marketing: Toward a paradigm shift in marketing. *Management Decision*, 32, 4-32.
- Guerreiro, R., Rodrigues Bio, S., & Vazquez Villamor Merschmann, E. (2008). Cost-to-serve measurement and customer profitability analysis. *The International Journal of Logistics Management*, 19 (3), 389-407.
- Guinding, C., & McManus, L. (2002). The incidence, perceived merit and antecedents of customer accounting: an exploratory note. *Accounting, Organizations and Society*, 27, 45-59.
- Gupta, S., & Lehman, D.R. (2005). *Managing customers as investments: The strategic value of customers in the long run*. Upper Saddle River, NJ: Wharton School Publishing, Pearson Education, Inc.
- Gupta, S., Lehman, D.R., & Stuart, J.A. (2004). Valuing customers. *Journal of Marketing Research*, 41, 7-18.
- Gupta, S., & Zeithaml, V. (2006). Customer metrics and their impact on financial performance. *Marketing Science*, 25(6), 718-739.

- Guracaronu, C., & Ranchhod, A. (2002). Measuring customer satisfaction: A platform for calculating, predicting and increasing customer profitability. *Journal of Targeting, Measurement and Analysis for Marketing*, 10, 203-219.
- Gustafsson, A., Johnson, M.D., & Roos, I. (2005). The effects of customer satisfaction, relationship commitment dimensions, and triggers on customer retention. *Journal of Marketing*, 69, 210-218.
- Harrigan, P., Ramsey, E., & Ibbotson, P. (2009). Investigating the e-CRM activities of Irish SMEs. *Journal of Small Business and Enterprise Development*, 16(3), 443-465.
- Harrigan, P., Ramsey, E., & Ibbotson, P. (2012). Entrepreneurial marketing in SMEs: the key capabilities of e-CRM. *Journal of Research in Marketing and Entrepreneurship*, 14(1), 40-64.
- Helgesen, O. (2005). Customer segments based on customer account profitability. *Journal of Targeting, Measurement and Analysis for Marketing*, 14 (3), 225-237.
- Helgesen, O. (2007). Customer accounting and customer profitability analysis for the order handling industry – A managerial accounting approach. *Industrial Marketing Management*, 36, 757-769.
- Herhausen, D., & Schogel, M. (2013). Profiting from customer relationship management: The overlooked role of generative learning orientation. *Management Decision*, 51 (8), 1678-1700.
- Hoekstra, J.C., & Huizingh, E.K.R.E. (1999). The lifetime value concept in customer-based marketing. *Journal of Market-Focused Management*, 3, 257-274.
- Hunt, S.D. (2002). *Foundations of marketing theory: Toward a general theory of marketing*. London: M.E.Sharpe.
- Hunt, S.D., & Morgan, R.M. (1995). The Comparative Advantage Theory of Competition. *Journal of Marketing*, 59 (April), 1–15.
- Ittner, D., & Larcker, D.F. (1998). Are non-financial measures leading indicators of financial performance? An analysis of customer satisfaction. *Journal of Accounting Research*, 36, 1-35.
- Jacobs, F.A., Johnston, W., & Kotchetova, N. (2001). Customer profitability, Prospective vs Retrospective approaches in a business-to-business setting. *Industrial Marketing Management*, 30, 353-363.
- Johnson, M.D. & Selnes, F. (2004). Customer portfolio management: Toward a dynamic theory of exchange relationships. *Journal of Marketing*, 68, 1-17.
- Jung, M.K.P., & Riegler, C. (1999). Accounting information, salesforce compensation and acquisition of new customers. *European Accounting Review*, 8(3), 421-441.
- Kaplan, R.S., & Cooper, R. (1998). *Cost and Effect: Using integrated cost systems to drive profitability*. Boston, MA: Harvard Business School Press.

- Kaplan, R.S., & Narayanan, V.G. (2001). Measuring and Managing Customer Profitability. *Journal of Cost Management*, September – October, 5-15.
- Kincaid, J.W. (2003) *Customer relationship management: getting it right!* Upper Saddle River, NJ: Prentice Hall.
- King, S.F., & Burgess, T.F. (2008). Understanding success and failure in customer relationship management. *Industrial Marketing Management*, 37, 421-431.
- Kotorv, R. (2003). Customer relationship management: strategic lessons and future directions. *Business Process Management Journal*, 9(5), 566-571.
- Krapfel, R.E., Salmond, D., & Spekman, R. (1991). A strategic approach to managing buyer-seller relationships. *European Journal of Marketing*, 25(9), 22-37.
- Kuan, K.K.Y., & Chau, P.Y.K. (2001) A perception based model for EDI adoption in small businesses using a technology-organisational-environmental framework. *Information & Management*, 38(8), 507-521.
- Kumar, V., Petersen, J.A., & Leone, R.P. (2010). Driving profitability by encouraging customer referrals: Who, when and how. *Journal of Marketing*, 74, 1-17.
- Kumar, V., & Ramani, G. (2003). Taking customer lifetime value analysis to the next level. *Journal of Integrated Communications*, 27-33.
- Kumar, V., Ramani, G., & Bohling, T. (2004). Customer lifetime value approaches and best practice applications. *Journal of Interactive Marketing*, 16(3), 60-72.
- Lambert, D.M. (Ed.). (2008). *Supply chain management: Processes, Partnerships, Performance*, 3rd. ed. Sarasota, FL: Supply Chain Management Institute.
- LaPlaca, P.J. (2004). Letter from the editor: Special issue on customer relationship management. *Industrial Marketing Management*, 33(6), 463-464.
- Langfield-Smith, K., Thorne, H., & Hilton, T. (2003). *Management accounting and Australian perspective*. 3rd Edn. Australia: McGraw-Hill.
- La Rocca, A., Caruana, A., & Snehota, I. (2012). Measuring customer attractiveness. *Industrial Marketing Management*, 41, 1241-1248.
- Lind, J., & Stromsten, T. (2006). When do firms use different types of customer accounting? *Journal of Business Research*, 59, 1257-1266.
- Maguire, S., Koh, S.C.L., & Magrys, A. (2007). The adoption of e-business and knowledge management in SMEs. *Benchmarking: An International Journal*, 14(1), 37-58.
- McManus, L., & Guilding, C. (2008). Exploring the potential of customer accounting: a synthesis of the accounting and marketing literatures. *Journal of Marketing Management*, 24 (7-8), 771-795.

- Miles, M., & Huberman, M. (1994). *Qualitative data analysis: An expanded sourcebook*. London: Sage Publications.
- Mitussis, D., O'Malley, L., & Patterson, M. (2006). Mapping the re-engagement of CRM with relationship marketing. *European Journal of Marketing*, 40(5/6), 572-589.
- Mulhern, F.J. (1999). Customer profitability analysis: measurement, concentration, and research directions. *Journal of Interactive Marketing*, 13 (1), 25-40.
- Murphy, J.J. (2005). *Converting customer value: from retention to profit*. Chichester: Wiley.
- Narver, J.C. & Slater, S.F. (1990). The effects of a market orientation on business profitability. *Journal of Marketing*, 54 (October), 20-35.
- Newby, M., Nguyen, T.H., & Waring, T.S. (2014). Understanding customer relationship management technology adoption in small and medium-sized enterprises. *Journal of Enterprise Information Management*, 27(5), 541-560.
- Ngai, E.W.T. (2005). Customer relationship management research (1992-2002): an academic literature review and classification. *Marketing Intelligence and Planning*, 23(6), 582-605.
- Parvatiyar, A., & Sheth, J.N. (2001). Customer relationship management: Emergent practice, process, and discipline. *Journal of Economic and Social Research*, 3(2), 1-34.
- Payne, A., & Frow, P. (2005). A strategic framework for customer relationship management. *Journal of Marketing*, 69, 167-176.
- Peltier, J.W., Schibrowsky, J.A., & Zhao, Y. (2009) Understanding the antecedents to the adoption of CRM technology by small retailers: entrepreneurs vs owner-managers. *International Small Business Journal*, 27, 307-336.
- Peters, T. J., & Waterman, R. H. (1982). *In search of excellence: lessons from America's best-run companies*. New York: Harper & Row.
- Pfeifer, P.E., Haskins, M.E., & Conroy, R.M. (2005). Customer lifetime value, customer profitability, and the treatment of acquisition spending. *Journal of Managerial Issues*, Spring, 11-25.
- Reijonen, H., & Laukkanen, T. (2010). Customer relationship oriented marketing practices in SMEs. *Marketing Intelligence & Planning*, 28(2), 115-136.
- Reimann, M., Schilke, O., & Thomas, J.S. (2010). Customer relationship management and firm performance, the mediating role of business strategy. *Journal of the Academy of Marketing Science*, 38, 326-346.
- Reinartz, W.J., & Kumar, V. (2000). On the profitability of long-life customers in a noncontractual setting: An empirical investigation and implications for marketing. *Journal of Marketing*, 64, 17-35.

- Reinartz, W.J. & Kumar, V. (2003). The impact of customer relationship characteristics on profitable lifetime duration. *Journal of Marketing*, 67(1), 77-99.
- Reinartz, W.J., Krafft, M., & Hoyer, W.D. (2004). The customer relationship management process: its measurement and impact on performance. *Journal of Marketing Research*, 42(3), 293-305.
- Richards, K.A., & Jones, E. (2008). Customer relationship management: finding value drivers. *Industrial Marketing Management*, 37, 120-130.
- Rigby, D.K., Reichheld, F.F., & Schefter, P. (2002). Avoid the four perils of CRM. *Harvard Business Review*, Feb. 101-109.
- Ritter, T., & Andersen, H. (2014). A relationship strategy perspective on relationship portfolios: Linking customer profitability, commitment and growth potential to relationship strategy. *Industrial Marketing Management*, 43, 1005-1011.
- Ryals, L. (2005). Making customer relationship management work: the measurement and profitable management of customer relationships. *Journal of Marketing*, 69, 252-261.
- Ryals, L. (2008). Determining the indirect value of a customer. *Journal of Marketing Management*, 24, 847-864.
- Ryals, L., & Payne, A. (2001). Customer relationship management in financial services: Towards information-enabled relationship marketing. *Journal of Strategic Marketing*, 9 (March), 1-25.
- Ryan, B., Scapens, R.W. & Theobald, M. (2007). *Research Method and Methodology in Finance and Accounting*. 2nd ed., Stamford, CT: Thomson
- Sanchez, R. & Sanchez, R. (2005). Analysis of customer portfolio and relationship management models : bridging managerial dimensions. *Journal of Business & Industrial Marketing*, 20(6), 307-316.
- Shani, D., & Chalasani, S. (1992). Exploiting niches using relationship marketing. *Journal of Consumer Marketing*, 9(3), 33-42.
- Sheth, J.N., & Parvatiyar, A. (1995). Relationship marketing in consumer markets: antecedents and consequences. *Journal of the Academy of Marketing Science*, 23(4), 255-271.
- Shin, I. (2006). Adoption of enterprise application software and firm performance. *Small Business Economics*, 26(3), 241-256.
- Shum, P., Bove, L., & Auh, S. (2008). Employees' affective commitment to change: the key to successful CRM implementation. *European Journal of Marketing*, 42(11/12), 1346-1371.
- Smith, M., & Dikolli, S. (1995). Customer profitability analysis: an activity-based costing approach. *Managerial Auditing Journal*, 10 (7), 3-7.

- Srinivasan, R., & Moorman, C. (2005). Strategic firm commitments and rewards for customer relationship management in online retailing. *Journal of Marketing*, 69(4), 193-200.
- Stein, A.D., Smith, M.F., & Lanconi, R.A. (2013). The development and diffusion of customer relationship management (CRM) intelligence in business-to-business environments. *Industrial Marketing Management*, 42, 855-861.
- Storbacka, K. (1997). Segmentation based on customer profitability – retrospective analysis of retail bank customer bases. *Journal of Marketing Management*, 13 (5), 479-492.
- Swift, R.S. (2001). *Accelerating customer relationship management*. Upper Saddle River, NJ: Prentice-Hall.
- Turnbull, P., & Zolkeiwski, J. (1997). Profitability in customer portfolio planning, in Ford, D. (ed.) *Understanding Business Markets*. 2nd Edition, London: The Dryden Press, 305-325.
- Vaivio, J. (1999). Examining ‘The quantified customer’. *Accounting, Organizations and Society*, 24 (8), 689-715.
- van Raaij, E.M. (2005). The strategic value of customer profitability analysis. *Marketing Intelligence and Planning*, 23 (4), 372-381.
- van Raaij, E.M., Vernooij, M.J.A., van Triest, S. (2003). The implementation of customer profitability analysis: A case study. *Industrial Marketing Management*, 32 (7), 573-583.
- van Triest, S. (2005). Customer size and customer profitability in non-contractual relationships. *Journal of Business & Industrial Marketing*, 20(3), 148-155.
- Ward, K. (1992). *Strategic Management Accounting*. Oxford: Butterworth Heinemann.
- Yin, R.K. (1994). *Case Study Research: Design and Methods*. Newbury Park, CA: Sage.
- Zeithaml, V.A. (2000). Service quality, profitability, and the economic worth of customers: What we know and what we need to learn. *Journal of the Academy of Marketing Science*, 28 (1), 67-87.
- Zeithaml, V.A., & Bitner, M.J. (1996). *Service Marketin.*, New York, NY: McGraw-Hill.
- Zeithaml, V., Rust, R., & Lemon, K.N. (2001). The customer pyramid: Creating and serving profitable customers. *The Californian Management Review*, 43(4), 118 – 138.
- Zhang, J.Q., Dixit, A., & Friedmann, R. (2010). Customer loyalty and lifetime value: An empirical investigation of customer packaged goods. *Journal of Marketing Theory and Practice*, 18 (2), 127-139.